

GOLD COINS OF THE UNITED STATES.

FEBRUARY 22, 1821.

Read, and, with the bill, committed to the Committee of the Whole House on the state of the Union.

Mr. WHITE, of New York, from the select committee to whom was referred the bill from the Senate *concerning the gold coins of the United States*, made the following

REPORT:

The Select Committee on Coins, to whom was referred the bill from the Senate, entitled "An act concerning the gold coins of the United States," beg leave respectfully to report:

That the subject presented to them involves in its consequences the highest attribute of sovereignty, the delicate relations which subsist between debtor and creditor, the important interests of industry, and ultimately the value of all property; and emanating from a source entitled to great respect, they have given to it the most mature examination; but finding themselves obliged to dissent from the conclusions at which the Senate have arrived, they now submit the result of their inquiry to the consideration of the House.

The bill from the Senate proposes to alter the standard which has regulated the measure of contracts for nearly forty years. The change intended to be effected is to raise the relative value of gold from 1 for 15, to 1 for 15.9 of silver, equivalent to an alteration of six per centum in the existing standard.

It was judiciously remarked by the distinguished and enlightened statesman who presided over the Treasury Department, when the present regulation was adopted by Congress, that "There is scarcely any point in the economy of national affairs of greater moment than the uniform preservation of the intrinsic value of the money unit; on this the security and steady value of property essentially depend."

The committee, duly impressed with the wisdom of that sentiment, feel it incumbent on them to examine, with care and deliberation, the reasons adduced in support of such an important alteration in a regulation of great public interest.

It is alleged in the report of the Committee of the Senate—

Ist. That "this proportion (1 to 15) was too low a valuation of gold in the year 1792, and much too low a valuation of gold in relation to silver, at this time."

2d. That, "during the last three hundred years, gold has, with some temporary exceptions, been gradually advancing in value. During the last twenty years, the enhancement of gold, in respect to silver, has been quite as great as it had ever before been during any equal period; and gold still continues to rise."

3d. That "the general course of our exchanges with Europe is against us; and when remittances cannot be advantageously made by bills, gold is sent to Europe, and especially to Great Britain, so long as gold is not evidently too dear in this country, in comparison with silver. But, in order that both gold and silver should circulate as money, it is necessary that demands for exportation should fall upon both metals, that when a demand for exportation occurs, it should, in general, be as profitable to export one of them as the other; and the relative valuation which will ensure this object is that which exists when both metals are, or may be, exported with equal profit."

4th. That "much more of the two metals is now coined upon the basis that gold is in value to silver as 16 to 1, than according to any other proportion. If it is expedient to conform our ratio to the existing proportion of any other country, it must be expedient to adopt that proportion which prevails most widely, and the ratio of 16 to 1 is now far the most extensive example. A rule so extensive is entitled to respect; but the practical operation of the rule is much more instructive, since it shows that this relative valuation of the two metals secures their concurrent circulation in coins in a very large part of the world."

5th. That "our public coinage of gold is now wholly without any public benefit. If we will not rectify the legal proportion between the coins of the two metals, we ought to abolish the coinage of gold, save a useless expense, and leave gold to be treated like other metals not coined as money."

The recommendations suggested, and the advantages anticipated, are—

1st. That "our system of money established in the year 1792, fully adopts the principle, that it is expedient to coin and use both metals as money; and such has always been the opinion of the people of the United States."

2d. That "each of the two metals is peculiarly convenient for purposes to which the other is not well adapted. Silver is divisible into pieces of small weight and small value, and is convenient for payments of moderate amount, but is very inconvenient when large sums are paid or transported. And these different advantages cannot be enjoyed without the use of both metals."

3d. "Where the circulating coins are both gold and silver, paper money is less used than it is where all the coins are of silver; and the currency of gold coins in our country will tend to repress this constant tendency to excess of paper money. Our money now in use is bank notes and silver. Bank notes are pressed into every channel of circulation; though no man is legally bound to receive them, they are generally received. So great is the amount of bank notes in circulation, so widely are those notes diffused through our extensive country, and so much is silver banished from circulation, that the option to demand silver is not within the reach of the great body of the people."

"The creditor, and especially the poor man, who can neither wait for payment, nor go to a bank to demand silver, accepts the bank notes which are offered to him, not because he prefers them to silver, but, in a multitude of cases, because he is, in effect, constrained to accept them or nothing.

One of many causes which swell this torrent, and impose upon the people a species of necessity to use paper money, is the want of gold coins. The end of coining the two metals is, that they may circulate together; that every person who has coins of either silver or gold may easily exchange them for coins of the other metal, and that the people may enjoy the advantage of using either species of coins, according to convenience or pleasure."

4th. "Bank notes are frequently received in preference to silver, when gold coins would be more convenient or desirable than bank notes. In such cases, gold would be used if it could be procured, and it should be attainable. To refuse to coin gold for the sake of paper money, or because paper money occupies a place which gold would fill, would be a mischievous error. A bad state of the coins is a great evil; but when such a state of the coins is continued for the purpose of promoting the use of paper money, the end is pernicious, and the means are an abuse of power. Our banks have the right to pay their notes in silver, and they ought not also to enjoy the advantage of an entire banishment of gold coins from the United States. There will surely be sufficient scope for the circulation of bank notes, when the coins which they do not expel from use shall consist partly of both metals; and if it is the interest of the banks that we should have no gold coins, the public interest of the country is, that we should have coins of gold as well as coins of silver."

The regulation proposed will produce, if adopted, a very important alteration in the existing standard of value; and as it has apparently originated from the views now detailed, which comprise a full consideration of the monetary system of the United States, the committee feel reluctantly compelled to undertake the investigation of an important, difficult, and intricate subject, upon which the most acute and enlightened intellects have disagreed.

This examination will necessarily involve the consideration of general principles, the standard of value, the practice of commercial nations, and a particular reference to the currency of the United States; which various and perplexing questions, the committee will endeavor to discuss with all practicable brevity.

Gold and silver are the money of commerce—the merchandise for which all other commodities are freely exchanged by the general consent of mankind. They are the measure of value, and are universally received as the intrinsic equivalent in all exchanges. These precious metals were adopted, and are maintained, as the currency or money of the world, from their being less variable than other metals, and homogeneous in respect to durability and divisibility.

They are, however, exposed to two important variations.

1st. In reference to other commodities, if the mines become more or less productive, or from any cause that will alter the relative proportions which the gold and silver, used as money, bear to that of the aggregate amount, or real value of exchangeable commodities, money price being regulated by these respective proportions; and

2d. The value of gold in respect to silver is very fluctuating.

Their relative values may vary with the amount of supply furnished by the mines respectively. It will change with the variations in the relative amount of labor expended on the production of these metals. If the quantity produced be appropriated to manufacturing purposes, and as currency, in different relative proportions, at different periods, an alteration in value

will ensue; a great diminution or an extensive increase of demand for either of the precious metals, arising from a change in the usual course of trade, or from an alteration in the circulating medium of a wealthy nation, will produce an important change in their relative value, whether silver be affected, as instanced in the Asiatic trade; or gold, as we have sensibly experienced in our intercourse with England.

Silver, in reference to silver, is unchangeable, and equivalent to the like quantity of fine metal, in all times, and in all countries. It is, besides, universally current; and it is the instrument principally used as the money of commerce.

Gold possesses the same peculiar properties, although it is not so extensively used in effecting exchanges. Either of them are received freely as the money of the world; and each, in a state of purity, preserves its identity and immutability.

Gold and silver, used as a common standard, are, in the nature of things, subject to various and frequent fluctuations; while the regulation of the standard of value, in either metal, is liable to variation only in reference to commodities.

Governments and political economists all agree in opinion as to the necessity or utility of an uniform measure. They, nevertheless, differ as to the expediency of regulating the standard of value in one or in both metals, although the nearer approach to invariableness, in the selection of one metal, is obvious and incontrovertible.

The bill under consideration contemplates such a regulation of the standard as will not only obviate prejudicial variations, but secure such "concurrent circulation in coins" of both metals, "that every person, who has coins of either silver or gold, may easily exchange them for coins of the other metal, and that the people may enjoy the advantage of using either species of coins, according to convenience or pleasure"

The committee would have the greatest pleasure in aiding with their most zealous efforts in the establishment of any regulations calculated to contribute to the convenience or gratification of the community, entertaining, however, serious doubts of the practicability of securing the desirable objects contemplated through the medium of legislative enactments. They think it expedient, as an evidence of their sincere desire to effect a satisfactory and impartial investigation, to note, briefly, the sentiments of some of the most distinguished and eminent writers.

General Hamilton, who was the founder of our present system, distinctly recognised the correctness of the position, that the single standard is the least variable measure, and he was inclined to select gold.

He states, that the "inducement to such a preference (one metal) is to render the unit as little variable as possible, because on this depends the steady value of all contracts, and, in a certain sense, of all other property; and it is truly observed, that if the unit belong indiscriminately to both the metals, it is subject to all the fluctuations that happen in the relative value which they bear to each other; but the same reason would lead to annexing it to that particular one which is itself the least liable to variation, if there be, in this respect, any discernible difference between the two.

"Gold may, perhaps, in certain senses, be said to have greater stability than silver, as being of superior value. Less liberties have been taken with it in the regulations of other countries." He was finally of opinion that,

“upon the whole, it seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals, because this cannot be done effectively without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise, which accordingly at different times has been proposed from different and very respectable quarters, but which would probably be a greater evil than occasional variations in the unit, from the fluctuations in the relative value of the metals, especially if care be taken to regulate the proportions between them with an eye to the average commercial value. To annul the use of either of the metals is to abridge the quantity of circulating medium, and is liable to all the objections which arise from the comparison of the benefits of a full, with the evils of a scanty circulation.”

Sir William Petty, in his posthumous work, published in 1691, is stated to be the first who suggested “that the coin which was to be the principal measure of property ought to be made of one metal only. Money is understood to be the uniform measure and rule for the value of all commodities; that one of the two precious metals is only a fit matter for money; and, as matters now stand, silver is the matter of money.”

That profound philosopher, Mr. Locke, thus expresses himself: “I have spoken of silver coin alone, because that makes the money of account and measure of trade all through the world; for all contracts are, I think, every where made, and accounts kept, in silver. I am sure they are so in England and in the neighboring countries. Silver, therefore, and silver alone, is the measure of commerce. Two metals, gold and silver, cannot be the measure of commerce both together in any country, because the measure of commerce must be perpetually the same, invariable, and keeping the same proportion of value in all its parts. But so only one metal does, or can do, to itself. So silver is to silver, and gold to gold; but gold and silver change their value one to another; for supposing them to be in value as sixteen to one now, perhaps the next month they may be as fifteen and three-fourths, or fifteen and seven-eighths to one; and one may as well make a measure to be used as a yard, whose parts lengthen and shorten, as a measure of trade of materials that have not always a settled invariable measure to one another. One metal, therefore, alone can be the money of account and contract in any country. The fittest for this use, of all others, is silver. Gold, though not the money of the world, and the measure of commerce, nor fit to be so, may, and ought to be coined, to ascertain its fineness and weight, and such coin may safely have a price as well as a stamp set upon it by public authority, so the value set be under the market price.”

Lord Liverpool, who was Master of the Mint in England, and whose system of money is now in practical operation in that country, thus remarks: “Experience has proved, that when coins of two metals are made legal tenders at given rates, those who have any payments to make will prefer to discharge the debt or obligation, by paying in that coin which is overrated; and in this manner gold, being overrated, became the practical currency of England. In the reign of King William, by proclamation, gold guineas, worth but 20s. 8d., were made current at 21s., which, being 4d. more or $1\frac{2}{3}\frac{2}{3}$ per centum too high, made gold the principal measure or tender in payments.” He was of opinion “that the money or coins of any country, which are to be the measure of property, can be made of one metal only;” and that gold was the fittest metal for a rich country like England. He

proposed that "the new silver coins shall not be a legal tender for any sum exceeding the nominal value of the largest piece of gold coin in currency. This is the highest state of perfection to which any system of coinage can, in my opinion, be brought." He considered it necessary to exact a heavy seignorage on silver coin, to secure its permanency in circulation; and maintained, that such an overvaluation would not prejudice prices. "When the silver coins were the principal measure of property, and were greatly defective, the price of all commodities rose in proportion; but since the gold coins are become the principal measure of property, though our silver coins are on an average as defective as they were before, (about $\frac{1}{3}$,) the price of commodities, even when purchased with silver coins, has not risen on account of the defect of these silver coins. The present defective silver coins continue to be paid and received at their nominal value, and according to the rate at which they can be exchanged for our gold coins; sometimes, when they are wanted for particular purposes, they are exchanged even at a premium above their nominal value."

He thought that prices of commodities were "influenced by a defect in that sort of coin only which is the principal measure of property, and in which our balances to foreign countries are regulated and paid."

Mr. Ricardo, who attained well-merited celebrity, in adverting to the English currency, observes: "It appears then, that whilst each of the two metals was equally a legal tender for debts of any amount, we were subject to a constant change in the principal standard measure of value. It would sometimes be gold, sometimes silver, depending entirely on the variations in the relative value of the two metals; and, at such times, the metal which was not the standard would be melted and withdrawn from circulation, as its value would be greater in bullion than in coin. This was an inconvenience which it was highly desirable should be remedied; but so slow is the progress of improvement, that, although it had been unanswerably demonstrated by Mr. Locke, and had been noticed by all writers on the subject of money since his day, a better system was never adopted till the last session of Parliament, when it was enacted that gold only should be a legal tender for any sum exceeding 42s."

A highly respectable authority, Mr. Gallatin, in his able letter to the Secretary of the Treasury, maintains the superiority of the double standard, and the practicability of keeping both metals in circulation. He instances France as the country "which affords the best and most easy means to ascertain the fact, as it is far the most wealthy country in which both gold and silver coins circulate simultaneously. During the thirteen last years there has never been a premium on silver coins, and there has almost always been one on gold coins; but it is very rarely, and only for very short periods, that this premium on gold coins has ever fallen below one-fifth or exceeded four-fifths per cent., and the average is about one-half rather below than above it. The relative value of gold to silver bullion is, therefore, fixed at the rate of 3,091. 197, nearly equal to 15.69 to 1. Each metal is brought to the Mint in greater or less quantities respectively, according to the fluctuations in their relative market value. But what proves that this ratio does not essentially differ from the true average market relative value; is, that the Mint has been abundantly supplied with both for the last twenty-five years, the coinage of France being far greater than that of any other country.

“The present rate (of our gold standard) was the result of information clearly incorrect respecting the then relative value of gold and silver in Europe, which was represented as being at the rate of less than 15 to 1, when it was, in fact, 15.5 to 15.6 to 1. If gold coins are raised by law to their true value, they will not be exported so long as the exchange on London is not above $1\frac{1}{2}$ per centum above the true par, or about $8\frac{1}{2}$ per cent. nominal, as now calculated. Whenever the exchange is above that rate, there is no means to prevent the exportation; and as the general tendency of our exchanges with Europe is against us, this affords a reason why, in fixing the relative value of the two metals, gold may be a little overrated beyond the ratio deduced from the average premium on French gold coins in France. But this should be done cautiously, as there is always danger in going beyond what the well ascertained facts will warrant.” Adverting to Spanish American coins, he observes, in respect to the various rates of premium on doubloons: “This affords no criterion whatever of the relative value of the two metals, as it is exclusively due to the varying demand for the Havana and South American markets, where, by internal regulations, the doubloon is rated never less than \$16, and generally at \$17. This arbitrary order drives, of course, silver from the market, and, without raising, actually, gold to that rate, has, nevertheless, a considerable effect on the price of that particular coin. As there is not in nature any permanent standard of value, it has been objected to the simultaneous circulation of the two metals as a legal tender, that, in addition to the fluctuations in the price of either gold or silver, if only one of the two was made the sole circulating medium, the fluctuations in their relative value increase the uncertainty of the standard. Great Britain, till the year 1797, when the suspension of cash payments took place, and all other nations to this day have used the two metals simultaneously, without any practical injury, and to the great advantage of the community, though in many instances sufficient care had not been taken to assimilate the legal to the average market value of the two metals—a fact so notorious, so universal, and so constant, is sufficient to prove that the objection, though the abstract reasoning on which it is founded is correct, can have no weight in practice.”

In respect to the opinion that the English demand for gold, upon the resumption of specie payments, had suddenly influenced its relative value, it is elsewhere stated, that “any extraordinary demand from a particular country is met without difficulty, or sensibly affecting the price of the metal required.” This decisive fact, (the premium in France on gold, not having exceeded $\frac{1}{2}$ to $\frac{3}{4}$ per cent.,) “also shows, that it is erroneously that the exportation of American gold coins, which commenced in the year 1821, has been ascribed to that extraordinary demand. That exportation has been continued uninterruptedly after that cause had ceased to operate, and, as will be seen hereafter, is due to the alteration from that epoch in the rate of exchanges.”

Mr. Tooke, an eminent writer, is inclined to doubt the correctness of the opinion, that the British demand increased the relative value of gold, and he remarks, “these circumstances, collectively,” (diminution in the export of silver to Asia, and the emancipation of Spanish America,) “are likely to have increased the supply of silver, and give reason to expect that the fall in the price of silver arose from a relative increase of its quantity and consequent diminution of its value, rather than from a diminished quantity

and increased value of gold." He admits, however, that "all information hitherto accessible relating to the proportion of the supply and demand of the precious metals, is vague, and insufficient to build any practical conclusion upon; and the only object of the arguments brought forward is to afford grounds for calling in question the opposite presumption, which, in my opinion, has been much too generally and hastily admitted."

Mr. Tooke thinks, that England probably possessed twenty millions of pounds sterling of gold before 1797; the greater part of which, he calculates, would be forthcoming from the hiding places of the hoarders, or from the continent of Europe; "none (gold) being absolutely necessary (on the continent) as the standard or basis of their circulation, which is silver."

Mr. Baring, an eminent banker, and accustomed to pecuniary transactions of the most extensive and various nature, is an advocate of the double standard, in consideration of the peculiar circumstances of England. He asserts, that "if gold and silver were concurrent legal tenders at the old mint regulation, (1 to 15. 2,) silver would at present be the practical standard, as the debtor always acquits himself in the cheapest metal he is enabled to do so by law. Gold was his cheapest payment previous to 1797, and, therefore, the practical standard of the country at that time; in consequence of subsequent variations in the price between gold and silver, silver would be so now. The practical currency may change from one metal to another in a short space of time; the fact of gold having been the practical tender in this country under the former system, and that silver would be so if that system continued, is a practical proof of it.

"It will vary with the variations in the relative value of the metals, however wisely you may adjust the difference. The variation in France is seldom above a tenth per cent.: it sometimes runs up to a quarter per cent.: it has been, I am told, something higher on particular occasions. A very slight difference of $\frac{1}{16}$ th or $\frac{1}{4}$ th per cent. would determine the use of one metal or another.

"There is no doubt that when this country (England) returned to payments in specie, supposing we wanted from fifteen to twenty millions of pounds, of gold for instance, and that to that extent there was a demand on the rest of the world for gold, gold got an increased value from that circumstance.

"This country partially rejecting gold as its tender, the effect would be to reduce to some extent the value of gold over the rest of the world."

One of his leading motives in recommending the incorporation of silver in the standard, appears to have been an impression, that it was "evident that the Bank, (of England,) wishing to reinforce its supply of specie, can do so with infinitely increased facility, with the power of either drawing in gold or silver, than if it were confined to only one of the metals. The choice is already much; but the circumstance that silver is the practical standard of Europe more than doubles the certainty and facility of procuring a supply."

The substance of Mr. Baring's evidence before the committee of the British Parliament, being subsequently submitted to the consideration of the Bank of England in four queries, the Governor and Directors of the Bank, in part, thus reply.

"1st. Provided there be sufficient currency in the country for the small payments, there does not appear to the Bank to be any advantage in the pro-

posed addition of silver as a general legal tender, from the great difficulty of retaining gold as the bulk of the currency under such an arrangement.

"2d. It does not appear that it would afford to the bank any security against combinations to their prejudice, nor would it enable the bank more readily to rectify the foreign exchanges, nor to provide with less difficulty for periods of panic. Neither does it appear to the bank that it would facilitate their procuring, when necessary, supplies of gold from abroad.

"3d. The bank can see no advantage in reverting to the former system of making silver by weight a legal tender to any amount, and they are farther of opinion, that a varying scale of value in any metal cannot be otherwise than prejudicial in its effects upon all contracts."

The Secretary of the Treasury, in his masterly and elaborate report to the Senate during the last session, "respecting the relative value of gold and silver, &c." remarks, in reference to the double standard, "that however exactly the proper equilibrium of values of gold and silver may be adjusted at the Mint, the balance is likely to be disturbed by causes which can neither be anticipated or controlled by political power." And in the course of his able disquisition, he arrives at the apparently sound and rational conclusion, that the regulation of the measure of value in both metals is inherently defective, and requires to be remedied, and that "this remedy is to be found in the establishment of one standard measure of property only. The proposition that there can be but one standard, in fact is self-evident. The option of Governments charged with this duty, is, therefore, between having property measured sometimes by gold, sometimes by silver, and selecting that metal which is best adapted to the purpose for the only standard. Silver ought to be the standard measure of property in the United States, and maintained by mint regulations, as the chief material for metallic currency."

Such discordancy of opinion amongst writers, distinguished for profound and philosophical views, and practical knowledge of the subject under consideration, is perplexing and embarrassing.

The committee have endeavored to form a just and impartial estimate of the various principles respectively sustained; and they will now proceed to make some appropriate observations upon them, as general truths, and, also, in reference to the fitness of their application to the existing and peculiar circumstances of the United States.

Gold or silver is the money of commerce, and the measure of value. It is freely received every where as the equivalent in exchange for all other articles. It is, by general consent, the representative of value, the pledge cheerfully taken in fulfilment of bargains, because the receiver knows, that he can with it purchase such things as he desires. It is the instrument by which transfers can be most conveniently effected, but it is not the article really wanted.

Commodities are the things actually exchanged and required—provisions, clothing, materials for manufacture, or for other use. Money facilitates exchanges, but its value is in circulation. Commodities are valuable in exchange, and valuable, also, as useful or consumable necessities. The real value of these depends upon the quantity of labor expended upon their production, but not in any degree upon money price, or the quantity of gold or silver required to measure their nominal value, or to effect their exchange. This price or quantity is regulated by the productiveness of the

mines, and by the relation which the portion of that product, pending in currency, bears to the aggregate amount of exchangeable merchandise.

Since the discovery of America, the increase of the precious metals has greatly exceeded the relative increase of commodities; gold and silver are estimated to have multiplied in a fourfold ratio.

Money has become so abundant that prices have risen greatly; the labor which was formerly exchanged for one dollar, will now purchase four silver dollars.

This change would seem to indicate a vast increase in the value of labor, and consequently of individual wealth, in the view of those who consider a great deal of money and riches as synonymous; yet it is not perceived in what respect this great increase of gold and silver has influenced the real value of useful commodities. It has sensibly altered the money price of every thing, and thereby diminished its convenience, as the instrument and measure of commerce, by rendering it more cumbrous, requiring four times the quantity or weight of gold or of silver to measure the same value, and multiplying in the like ratio the number of coins, and the labor of counting them, without adding, in any manner, to their utility as money, or to their value as property. If one-half of the entire amount of gold and silver now in use was immediately to disappear, or as suddenly to be doubled in its quantity, the consequence would be grievous to debtors, or to creditors; but it is very evident that the real wealth of society would experience no change from either event. The productive power of industry would be neither increased or diminished; nor would any alteration take place in the utility of its products.

Industry produces commodities, and frugality accumulates capital; but its real value does not depend upon its money value.

Where exchangeable merchandise abounds, gold and silver will be comparatively abundant. Hence, countries, rich in productions, will always have more money circulating than nations which produce fewer commodities. The possession of a large amount of money is the effect, but not the cause of wealth: yet a greater abundance of gold or silver, in rich States, being very visible, it has erroneously been viewed as the cause producing greater wealth; and various projects have been frequently suggested, or adopted, to bring into particular countries more than the natural supply of money, or to manufacture it from other materials than gold or silver. Distinguished statesmen have occasionally countenanced these suggestions, and the value which has been attached to a large supply of the precious metals has been evinced by inflicting severe penalties upon the exporters of gold or silver; in exhibiting indignation against, or questioning the patriotism of such traders as ship away money where its exportation was permitted, by a great solicitude to encourage intercourse with those countries which possess or distribute the produce of the mines; and in denying or questioning the advantage of trading with any nation which required gold or silver in exchange for its merchandise. It has been exhibited in an anxious desire to have the standard of value regulated in both metals, lest the utility of either might be diminished on becoming a commodity, or under the apprehension that the rejection of either gold or silver as a legal tender would contract the field of supply, or inflict the evils of a scanty circulation.

The committee are of opinion, that wealth consists in an abundance of necessities, conveniences, and luxuries; that lands, minerals, labor-saving machines, useful commodities, &c. &c. are the constituent parts of national

wealth; and that its amount depends upon the skill and industry of its inhabitants.

Industrious and skilful nations will possess a large share of the gold and silver used as money in commerce; but that arises from the superior value of their exchangeable produce.

The value of money is in an inverse ratio with its quantity, relatively dear or cheap, according to the proportion which the entire amount of gold and silver in circulation bears to the aggregate value of exchangeable commodities. The interest of every nation requires its just proportion of the money of the world; and if commerce was free and unrestrained, its operations would assuredly effect an equitable distribution.

The course is natural and obvious. Redundance raises prices, imports increase, or exports diminish; either consequence creates an adverse exchange; and the superfluous supply of money goes off to other nations, to liquidate balances. On the other hand, scarcity of money lowers prices, increases exports, or brings in money to buy cheap goods. In the nature of things, redundancy or scarcity must be temporary, as mercantile sagacity is ever active and vigilant to profit by the smallest variations in value; and whilst pursuing gain, it prevents money from undulating greatly, or disadvantageously to the steady occupation of producers.

The correctness of the principle, that money will find its level in the great sea of commerce, unless obstructed by artificial mounds, erected by legislative or local regulations, was forcibly illustrated in the case of France in 1794-'5.

Statesmen of transcendent talents, Mr. Pitt and Mr. Burke, confidently anticipated a complete overthrow of the power of France, from the want of money to carry on warlike operations—the inevitable consequence, as they supposed, of the destruction of the assignat currency. Yet, what is the historical fact? The assignat bubble burst, inflicting, without doubt, a serious amount of individual distress, but the productive power of France being uninjured, and the products of its industry being real wealth, and valuable commodities in exchange. Gold and silver, which is the instrument of exchange, rushed into France in a powerful stream, filling speedily every channel of circulation with its proper, useful, and relative proportion of coin.

Instead of France, with her great wealth, being prostrated and in poverty, as was predicted by these great men, she quickly possessed more gold and silver than any nation in Europe—a result in strict accordance with well established principles in the monetary system.

France possessed a large supply, comparatively, of money, because she was in fact the richest nation in Europe, excepting England, who had forcibly driven gold and silver out of circulation, by substituting bank notes. Considering that these incontrovertible principles, in regard to gold or silver money, have been practically verified in the powerful and instructive example of France, it is truly surprising, that, in subsequent times, complaints should be made of the want of metallic coin, or of a particular kind of the precious metals.

It cannot be the interest of any country, if it were practicable, to possess a greater amount of the precious metals (which are costly merchandise) than its just proportion, because the value of gold or silver, as money, consists altogether in its utility, as an instrument, for effecting exchanges, or for measuring the value of commodities. Its value being relative, and only in

exchange, it does not appear to be an important consideration to any country, whether the instrument, which it thus uses as a labor-saving machine in barter, be composed of gold, or of silver, or of both metals.

The committee are induced to believe that every nation will possess its equitable and useful portion of the gold and silver used as money. If they do not repulse it from domestic circulation, by substituting a different medium of exchange, one metal may be selected, with a certain assurance of uniformly possessing, *in the metal chosen*, such proportion of the entire amount of the money of commerce, as their exchangeable commodities bear to the total amount of merchandise produced.

If both metals are preferred, the like relative proportion of the aggregate amount of metallic currency will be possessed, subject to frequent changes from gold to silver, and vice versa, according to the variations in the relative value of these metals.

The currency of the commercial world consisting of gold as well as silver, it is apparently correct and rational to conclude, that the indiscriminate use of both metals must be convenient and advantageous to every community. There is, however, a material distinction between the money of commerce and the money of a particular State, which merits notice. Gold and silver circulate in general commerce as money; but whether they are tendered in new or defaced coins, of the standard of one mint, or a mixture of all mints, or in metal of every variety of form and purity, they are all viewed as bullion, and valued in foreign markets according to the quantity or weight of fine metal.

Whether a nation uses exclusively one metal for its internal trade, or establishes a legal value in both gold and silver, it has been ascertained by experience that one metal only will be the practical standard. Traders will usually find it their interest to carry to each country that description of metal which is the current or exclusive legal tender, because the former is always an overvalued metal, and the latter is of nearly invariable value. The operations of trade being incessant and universal, the value of gold or silver is tested by the estimate of each nation; and an average relative value is thus ascertained and established, with such an approach to accuracy as enables merchants and money dealers, engaged in foreign trade, to effect exchanges freely and securely for the money of commerce, whether tendered in gold or in silver.

But the money of a particular State is the medium of exchange, and measure of value and of contracts, not only for traders and money dealers, but for every member of the community. Public convenience, therefore, requires that it should be coined. Nations generally establish a measure of value, founded upon an ideal unit, or money of account and contract.

Coins, regulated in conformity to this standard, usually compose the metallic currency; and they are generally the only legal tender in payments.

Where gold or silver constitutes the national currency, such a regulation is a matter of great public interest. The stamp set upon the metal is the seal of the State, certifying as to the fineness and weight of the coin, which secures implicit confidence as to its intrinsic value; and the money unit, or its integral parts, or multiples, being exhibited in every coin, facilitates enumeration, exchanges, and payments, and contributes essentially to the convenience and advantage of the public.

The money of a State thus differing in some essential particulars from the money of commerce, the inquiry may be made with consistency and propriety, whether it is most judicious or expedient to regulate the standard in gold, or in silver, or in both metals.

Several of the eminent authorities quoted, including some of those who are practically acquainted with money transactions, strenuously maintain the superior advantages of the double standard, contending,

1st. That, in rejecting either gold or silver, the risk is incurred; "that if the rise is only on one of the metals for which there happens to be a greater demand, and that should be the sole legal tender, it will be exported, and diminish, in a most inconvenient way, the whole amount of specie—a diminution which, in that case, cannot be remedied, by resorting to the other metal which is not a legal tender;" and it is thought to limit the "facility of procuring a supply of gold and silver," and that it causes "the evils of a scanty circulation."

2d. That the rejection of either metal has the effect of "destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise."

3d. Although it is conceived to be not possible "that any degree of skill or ingenuity, in adjusting the proportions of gold and silver, can be such as to prevent the one or the other from having a preference, and becoming practically, in the course of a short period of years, the currency of the country, almost to the exclusion of the other, except for purposes of convenience," it is, nevertheless, alleged that the hazards from alterations in the measure of contracts, by "those fluctuations in the relative value of the two species of coin, are a quantity which may be neglected;" and it is maintained that "the necessity of occasional adjustment is a small inconvenience, when compared with the great inconvenience of using only one of the metals."

The committee having already expressed their conviction, that the operations of commerce, if unimpeded by local and artificial obstacles, will certainly secure to every country its useful and equitable proportion of the money of the world, they feel compelled, reluctantly, to withhold their assent to the opinions preferred in support of the double standard. They cannot admit, that, by rejecting one of the metals, any of the injurious consequences predicted would ensue.

England may be instanced as a practical and forcible exemplification. She has by law recently (and for more than 100 years previously, in practice) rejected silver as a tender in large payments, and adopted gold, (the most costly, and scarce, and least used as money of the two metals) as the measure and instrument for effecting exchanges. A subsequent act, restraining the issue of bank notes under £5 sterling, opened an extensive field for circulation, which was immediately filled with gold; and her experience since, notwithstanding the wild and inconsiderate speculations of 1825, may, with that of preceding times, in regard to pecuniary resources, be compared with the means of any other nation, to test the accuracy of these disadvantageous allegations against the single standard.

The free city of Bremen, an example on a very different scale of operations, uses gold exclusively, without any known inconvenience.

Hamburgh, a neighboring city, of great business and wealth, has for centuries confined commercial payments to silver.

For ten years past we have, in practice, repudiated gold; and it is believed that money has not been more abundant for the same length of time in our commercial history. Our recent practice has in reality reduced gold "to the situation of a mere merchandise," but certainly without injuring its utility as money; for it is picked up with avidity, even in small sums, and exchanged with the greatest readiness for bank notes, redeemable on demand with silver, or effective in instant payments. Its value of course varies according to our pecuniary relations with England, the great market of the world for gold.

If an extensive demand was now to arise for gold, which is "the sole legal tender" in England and Bremen, its export would take place, until scarcity of money was sensibly felt. Commodities would then decline in price, or there would be a diminution of imports, until money found its just and natural level, differing in no perceivable respect from the effects produced, by an adverse balance of payments, upon other States using silver, or which have an established legal tender in both metals. For example, in 1827-'8, we became largely indebted to England and France. Our silver was exported to a great amount, as well as all the gold that could be procured. The banks curtailed their discounts; money became very scarce; we imported comparatively less; the balance was soon liquidated; and we worked through that adverse period with as little difficulty, suffering, or distress, and recovered from its ill effects, as speedily as on any of the many previous occasions that we have encountered the ebbs in commerce; although the increased value of gold had, in effect, rejected it from circulation, and deprived us of the power alleged to be remediate of "resorting to the other metal, which is not a legal tender."

Our own experience, and that of other nations, thus appearing to confirm in practice the accuracy of the principles previously deduced, the committee cannot resist the conviction that the regulation of a national standard in gold, or in silver, or in both metals, will not, in any respect, influence the pecuniary resources of a State, or contribute any relief whatever in periods of exigency. Unfavorable balances with foreign countries must be discharged with gold or silver, or commodities. Debtor nations, not possessing mines of the precious metals, must regulate their imports according to the exchangeable value of their surplus produce. They have no other means of purchasing money, or other foreign merchandise. The ill effects of bad seasons, and other unusual and adverse events, which occasion temporary pressure, are soon rectified by industry and frugality.

The great and inherent defect in the double standard, that has produced the evil of which we now complain, (the disappearance of gold,) and which has invited the remedy of a new adjustment of its relative value, is deserving of particular and grave consideration.

It has been already remarked, that the capacious mind which delineated the system of money adopted by Congress, expressed a strong desire "to render the unit as little variable as possible, because on this depends the steady value of all contracts, and, in a certain sense, of all other property." He was well aware "that if the unit belong indiscriminately to both metals, it is subject to all the fluctuations that happen in the relative value which they bear to each other."

He appears to have been strongly inclined to select gold as the only measure of value: and the difficulty which he experienced in arriving at the

final conclusion to recommend both metals, is clearly evidenced by the undecided terms in which it is announced: "But, upon the whole, it seems to be most advisable," &c. The obvious advantages of the single standard having yielded to the preponderant influence of an apprehension that the rejected metal would be injured, as money, by "reducing it to the situation of a mere merchandise;" and that, "to annul the use of either of the metals as money, is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full, with the evils of a scanty, circulation"—evils which were sensibly experienced at that time; whatever causes may have produced them, subsequent experience, and particularly that of the last ten years, having furnished strong reasons to doubt if the cause of those evils was accurately conjectured. The committee are induced, from that circumstance, to believe that the views which they have now expressed do not differ essentially from an authority so deservedly entitled to their respect.

There does not appear to be any diversity of opinion as to one radical defect in the double standard—the unavoidable necessity of occasional adjustments, or, in other words, of alterations in the measure of value and of contracts. The effect of these changes are variously estimated. A large majority of the writers quoted maintain that the overrated metal will always be "the practical currency, (which) may change from one metal to the other in a short period of time. Gold was his cheapest payment, and, therefore, the practical standard of the country (England) at that time. In consequence of subsequent variations in the price between gold and silver, silver would be so now, as the debtor always acquits himself in the cheapest metal he is enabled to do so by law.

"Whilst each of the two metals was equally a legal tender for debts of any amount, we were subject to a constant change in the principal measure of value."

"Experience has proved, that when coins of the two metals are made a legal tender at given rates, those who have any payments to make will prefer to discharge the debt or obligation, by paying in that coin which is overrated."

The Secretary of the Treasury justly remarks, that "if the ratio is so adjusted as to maintain both metals for the time being, in equilibrium, subsequent fluctuations may expel that which is most necessary to the currency."

These opinions, which in times past were theories for our meditation, are now realized in practice. To use the language of a highly distinguished and learned Senator, Mr. Webster, "The English standard of value is gold; with us, that office is performed by gold, and by silver also, at a fixed relation to each other: but our estimate of silver is rather higher, in proportion to gold, than most nations give it; it is higher especially than in England at the present moment.

"The consequence is, that silver, which remains a legal currency with us, stays here, while the gold has gone abroad, verifying the universal truth, that if *two currencies* be allowed to exist, of different values, that which is cheapest will fill up the whole circulation."

It is, however, on the other hand, alleged, "that these fluctuations are a quantity which may be neglected;" "that Great Britain, till the year 1797, when the suspension of cash payments took place, and all other nations, to

this day, have used the *two* metals simultaneously, without any practical injury, and to the great advantage of the community;" and it is also maintained, that "the practical operation of the rule (gold to silver, 1 to 16) is much more instructive, since it shows that this relative valuation of the two metals secures their concurrent circulation in coins in a very large part of the world."

The semblance of disagreement amongst these writers as to realities, induces the supposition, that the expressions, "all other nations to this day have used the two metals simultaneously," "that this relative valuation of the two metals secures their concurrent circulation in coins," should likely be construed, in the restricted sense of a legal right, to tender them indiscriminately in payments.

The committee are not qualified by experience to pronounce with decision as to the usages, or the respective advantages, of the money systems of other nations; but, upon a deliberate and candid consideration of the various statements submitted, and a careful examination of many valuable documents, particularly those furnished by the Secretary of the Treasury, they are inclined seriously to question the practicability of devising any regulation of the standard, which will accomplish the desirable object of the bill, so that "every person who has coins of either silver or gold may easily exchange them for coins of the other metal; and that the people may enjoy the advantage of using either species of coins, according to convenience or pleasure."

The committee cannot doubt that the following facts are satisfactorily established by the concurrent testimony of the respectable evidence adduced.

1st. That gold was the practical standard of England, from 1717 till 1797, in consequence of its being the overrated or cheapest metal, though the proportions were only 1 for 15.2 of silver, and silver coins were a legal tender by tale until 1774, and by weight subsequently.

2d. "That silver is the practical standard (of the continent) of Europe," "none (gold) being absolutely necessary (on the continent) as the standard or basis of the circulation, which is silver," although several nations regulate the measure of value in both metals, and with such accuracy that the premium on gold "in France, is seldom above a tenth per cent., and sometimes runs up to a quarter per cent."

3d. That gold is the money of contract in "Havana and South America," because it is overrated, and "this arbitrary order drives of course silver from the market."

The simple fact that gold bears a premium in France and in the United States, and silver in Havana and in South America, appears to furnish incontrovertible evidence that the metal thus undervalued does not circulate concurrently or simultaneously with the overrated metal. If currency thus discriminated produces in its operations that description of concurrent circulation contemplated by the passage of this bill, the result does not conform to the proverbial acuteness of money dealers and traders. They are not in the habit of paying a premium, however minute, for what can be obtained freely without charge; and that which is "concomitant in agency," or acting together "in general circulation," must be supposed to be within the reach of every man. Judging by our own experience, in relation to this point, it is manifest that a premium on gold has banished it entirely from circulation; that the periodical demand for dollars in former times, for Asia,

had, during its continuance, the like effect upon silver; and that, in 1827 and 1828, a premium of one-half to one per cent. on Spanish dollars or those of the new American States, withheld them altogether from public use, although they constituted the great bulk of the specie fund of the United States.

The difference in value, indicated by small premiums, may not prejudice contracts of ordinary amount; but all experience testifies, that the customary currency of a State may be changed, to the great inconvenience of the uninformed portion of the community, by the slight inducement of a small fraction of a per cent. profit.

Sir Isaac Newton relates, that louis d'ors of France, worth but 17*s.* 0*3**d.* sterling, became current in England at 17*s.* 6*d.*, and upon being forbidden, at his instance, to pass for more than 17*s.* they were immediately brought into the Mint to the amount of £1,400,000 sterling; at another time moidores were current in the west of England at 28*s.*, which were intrinsically worth 27*s.* 7*d.*, and the country was full of them. Upon orders being issued that the public receivers should take them at 27*s.* 6*d.* only, they disappeared immediately. A profit of 2½ per cent. brought in plenty of louis d'ors, and the loss of three-eighths per cent. drove them out of circulation; 1½ per cent. profit brought in the moidores, and three-tenths per cent. loss made them disappear entirely. "It was (then) evident (as we know now) that they who traffic in coins will trade for a very small profit."

Besides the inconvenience of frequent changes in an instrument so incessantly used as money, fluctuations will occasionally occur, such as we wish at present to remedy, that have a detrimental influence on contracts; for instance, a sale made on credit, in 1820, to the amount of ten dollars, was, according to our legal standard, and in equity, an agreement, by implication, that the seller should receive in payment 3,712½ grains of silver, of the value of 247½ grains of gold. If this contract terminated in 1821, it would have been discharged with ten silver dollars, which could have been purchased with 238½ grains of gold; and if the bargain had not expired until 1822, the payment might have been effected with 230 grains of gold, being a reduction in the first case of three and five-eighths per cent., and in the latter instance of fully seven per cent., from the amount agreed upon by tacit stipulation; and, consequently, a departure from the spirit of the agreement, and a violation of contract, though sanctioned by the letter of the law. If the standard should be regulated on the basis proposed in this bill, 233½ grains of gold will be equivalent to ten silver dollars. Suppose that before the termination of a similar contract, an important demand for silver for Asia, or elsewhere, should suddenly arise, or that the British Government should return, in compliance with powerful solicitations, to the standard of value in force previous to 1819, which measure Mr. Baring thinks would reduce the value of gold 3¼ per cent., will not the payer then discharge his debt in gold, and realize 3¼ per cent., or whatever may be the amount of profit, resulting from the influence of unforeseen contingencies upon the relative value of these metals? Is it judicious, or consistent with a high and just regard for the equitable discharge of obligations, to expose pending contracts, to the hazard of prejudicial vicissitudes, from causes beyond the national control.

Is there any thing in the ordinary course of events which justifies a legal regulation, that, under every change, must operate to the prejudice of the seller?

Are not buyers and sellers, in the free exercise of private judgment, on a perfect footing of equality, as to chances of benefit from a bargain, or as to claim for legislative protection? And if so, why should the law be framed on such a principle as to act uniformly in favor of the purchaser?

What are the compensative inducements to maintain regulations so obviously obnoxious to animadversion? The committee are obliged to acknowledge, after the most attentive and deliberate investigation, that, if correspondent advantages really appertain to this system, they must confess their inability to discover them.

It seems to be universally admitted that the regulation of the standard in one metal is the nearest practicable approach to invariableness, and that every attainable degree of uniformity is highly desirable. If the only legal tender in payments were dollars, each containing $371\frac{1}{4}$ grains of fine silver, or $24\frac{3}{4}$ grains of fine gold, the measure would be in quantity as invariable as a foot of twelve inches; and once established as the national standard, no alteration or interference on the part of Congress would ever afterwards be required. Silver being to silver, and gold to gold, identical and invariable, either of them may and will change in its relative value to commodities, as has been already stated, in the event of a material variation in its cost at the mines, or from a great alteration in the aggregate amount of exchangeable, merchandise; but such important changes are of rare occurrence, or of too slow and gradual growth to prejudice contracts during their usual term of pendency. Whatever might be the relative value of gold to silver, or however frequent their fluctuations, the standard measure in one metal would be unaffected; $371\frac{1}{4}$ grains of silver would never cease to be equal to the like quantity of the same metal. National produce would be estimated and exchanged in conformity to this measure, and contracts would be discharged in accordance with the strict letter of the law, and the fair and equitable construction of the agreement.

The public would have the gratification of using the coin to which custom and convenience will have attached them. Foreign nations would not have an opportunity to withdraw one description of our currency, and to replace it with the other, to their profit; nor would it be ever necessary to entertain and discuss this very intricate and controverted subject, or to deliberate on the passage of a bill which contemplated an important and serious change in the money unit, upon the invariableness of which the steady value of property essentially depends. The alteration in the quantity of gold, representing ten dollars, from $247\frac{1}{2}$ grains to $233\frac{1}{2}$ grains, is an actual reduction of six per cent. from the previously existing and long prevailing measure of contracts. Surely a change of such important character should not be made, unless deeply interesting to the public welfare; for, as General Hamilton has wisely and appositely remarked, "the quantity of gold and silver in the national coins, corresponding with a given sum, cannot be made less than heretofore, without disturbing the balance of intrinsic value, and making every acre of land, as well as every bushel of wheat, of less actual worth than in time past."

As it may, however, be the pleasure of the Legislature to attempt an effectual adjustment of the relative value of gold, some inquiry into the causes producing this necessity may be appropriate.

Lord Liverpool, Mr. Baring, and Mr. Ricardo, state, the practical currency of England, from 1717 till 1797, was gold, in consequence of its being the overvalued metal relatively, and the cheapest payment, although du-

ring that period, the established standard was but 15.2 of silver for one of gold.

The legal value of the guinea was fixed, in 1717, by the recommendation of Sir Isaac Newton, the Master of the Mint, at 21s. sterling each, which price he estimated to be 4*d.* or $1\frac{5}{8}$ per cent. higher than its average value in commerce.

The quotation of prices of bullion in the London market, furnished by the Secretary of the Treasury since 1760, corroborates the opinion, that gold was overrated in the Mint regulations; the prices of gold and silver during ten years of profound peace, from 1783 until 1792, are upon an average in the relative proportions of 1 of gold for 14.76 of silver, indicating a premium of about 3 per cent. on silver; and it is worthy of notice, that in the year 1785 alone, did the market price of gold conform to the legal standard.

It does not appear that there was any export of gold from the United States, of consequence, from 1792 till 1821—a period of such extraordinary commercial vicissitudes, that exchange must have occasionally been unfavorable. The relative legal value during that time was only 15 of silver for 1 of gold; and silver having been frequently at a premium of 1 to 3 per cent, gold could of course have been obtained without difficulty. Such respectable opinions and confirmatory circumstances, connected with the fact that England has long been the great market for gold, seem to authorize the inference that General Hamilton did not undervalue gold in 1792.

The coinage of France in 1785-'6, having been regulated at 1 of gold for $15\frac{1}{2}$ of silver, exhibits a material difference in the estimate of value in that country. It may, however, be observed, that some period of tranquillity, and of public confidence, as well as an adverse balance of payments with other nations, is necessary to test the accuracy of such regulations. Internal dissatisfaction, loss of public credit, revolutionary movements, failure in paper currency, domestic or foreign wars, influence materially the relative value of gold to silver, in consideration of the comparative portableness of gold, for concealment, or for facilitating military operations; one or other of these extrinsic causes, influenced in some degree the pecuniary regulations of France, from 1785-'6 till 1816. The fact that gold in France, did not command a premium of more than one half per cent. "during the four years which immediately followed the resumption of specie payments in England," cannot, it is conceived, be considered "a conclusive proof, that it could not at most have enhanced the price of gold more than $\frac{3}{10}$ per cent., since, in that case, the advance would also have taken place in France, whence, in fact, a considerable portion of that demand was supplied." The proof is admitted to be conclusive as to the actual value of gold in France; but it must be recollected, that if the balance of payments between England and France was about equal, and there cannot be much preponderance where the currency is metallic, the charges of transportation must in such case be added, in order to ascertain the English value. Suppose that the proportions in French coin are equal to 1 for 15.7 of silver, if a premium of $\frac{3}{10}$ per cent., probable deficiency in the weight of circulating coin $\frac{1}{2}$ per cent. and insurance, freight &c., $\frac{1}{2}$ per cent, be added, it would place gold in England at the high relative rate of 1 for 15.9 of silver equivalent to a premium of six per cent upon our mint price. That the demand for gold was sensibly experienced in France at that period, may be inferred from a statement of

the gold coined at the mints of France, according to Mr. Tooke; in 1818, the amount was 126 millions of francs; in 1819, 52 millions; in 1820, 28 millions; and in 1821, when the British demand was active, the coinage of gold in France nearly ceased, being only four hundred thousand francs in that year.

If the statement of the relative amounts of supply of the precious metals are entitled to any confidence, the increase in the production of gold since the commencement of revolutionary movements in Spanish America, in 1810, must have fully compensated the reduction in the demand for silver in Asia.

If the value of gold had risen from an increase of cost at the mines, which it is reasonable to conclude constitutes its real value, that increase of value would doubtless have been distinctly exhibited in England antecedent to 1797; and since, in general commerce, whether England had returned to specie payments or not, there were certainly no indications that gold was rated too low in our standard of 1 to 15 earlier than 1821, when the English demand commenced. The fact of concomitance in events is not relied upon as a proof of effective agency; but a great demand for gold and an increased relative value for gold being coeval circumstances, and in accordance with the universally admitted principle, that a new or sudden increase of demand will enhance prices, it appears to be a natural and rational inference, that the British demand for gold was the cause of increasing its value in respect to silver.

Mr. Baring thinks "there is no doubt that when this country (England) returned to payments in specie, supposing we wanted 15 to 20 millions of pounds of gold, for instance, and that to that extent there was a demand on the rest of the world for gold, gold got an increased value from that circumstance."

Mr. Tooke admits, that, at first, he coincided in this opinion, but subsequently, he was inclined to question this "presumption (which, in my opinion, has been much too generally and hastily admitted,)" chiefly on the ground that the supply of silver has actually increased—a conclusion, which is not sanctioned by any authentic record within the knowledge of the committee, and at variance with the effects usually produced by revolutions and sanguinary civil wars, in any country, upon the amount of its staple commodity for exportation.

The annual product of gold for coinage, and for manufactures, is not estimated to exceed two millions of pounds sterling. Whether England required from foreign nations 20, 15, or even 10 millions of pounds, the magnitude of either amount could scarcely fail to have an important influence on the relative value of the precious metals. If the aggregate quantity of gold and silver, used as money, was unchangeable, the suspension or resumption of specie payments, by any great nation, would influence the money prices exclusively, and but slightly or temporarily disturb the relative value of the metals; but when it is well known that the precious metals are purchased in vast quantities for other purposes than money, it seems reasonable to conclude that a sudden demand for gold, as money, equivalent to five, eight, or ten years of the entire produce of the gold mines of the world, must necessarily, in competition with the manufacturing demand, enhance its value in reference to silver. If it could be clearly demonstrated (which may be questioned) that the rise in gold, in 1821, has been fully maintained since, the

committee are not prepared to admit that this circumstance would controvert their position, because the vacuum created by such an immense draught on other nations cannot be speedily filled. The bullion market of England has been more fluctuating than might be expected, if the rise was the result of increased cost in the production of gold.

The quotations adverted to furnish the following result:

1821	}	Average relative value 1 of gold, for	-	-	15.92
1822					
1823					
1824	}	Average relative value 1 of gold, for	-	-	15.65
1825					
1826					
1827	}	Average relative value 1 of gold, for	-	-	15.75
1828					
1829		Average relative value 1 of gold, for	-	-	15.94
1830		Average relative value 1 of gold, for	-	-	15.78

But admitting the uncertainty of estimates or predictions as to the present or future amount of supply of the precious metals respectively, it may nevertheless not be irrelevant to remark, that, as the exploration of new mines of great promise speedily become matters of notoriety, and as universal experience has established the fact that mines long and deeply worked become less productive, it may be fairly concluded that the amount of silver annually furnished is not upon the increase; whilst, on the other hand, we have positive evidence of a rapid increase (as yet, to be sure, not comparatively on a great scale) in our own country, in the production of gold from mines represented to be of great territorial extent, and of encouraging and fruitful appearance.

After an attentive consideration of the circumstances connected with the rise of gold, the possible contingencies, and the prospects as to amount of supply, the committee are of opinion that its present relative valuation in commerce is not likely to be maintained; and they, therefore, cannot recommend the adoption of the value proposed, that of 1 for 15.9 of silver.

If they were well persuaded that the rise will be permanent, it would not change their sentiments in regard to the inexpediency of attaching a price to gold higher than its average rate in the commercial world. When coins circulated freely in the United States, silver composed the chief part of the currency; it has at all times formed a large portion of our specie fund: our money unit was founded upon the computed value of a Spanish silver dollar. It has ever been the actual or implied measure of contracts. Silver is the money to which we have been accustomed; and it is, also, generally speaking, the money of commerce. Public and mercantile convenience uniting in favor of silver as coin, it would appear to be highly injudicious to hazard the loss of our silver, by elevating the value of gold even to its average rate in commerce.

The committee are finally of opinion that the rate proposed by the Secretary of the Treasury, of 1 of gold for 15 625 of silver, is the utmost limit to which the value can be raised, with a due regard to a paramount interest—the preservation of our silver as the basis of circulation.

The committee have not overlooked the fair claims of our own gold miners; and they will now proceed to show that the decision against a high estimate is, in no degree, injurious to their interest.

Mr. Crawford, in his much esteemed report on currency, makes the following sensible and important observation: "If paper can be made to circulate, independent of its employment in the transmission of funds, gold and silver to the same extent will be exported. If paper will be received and employed generally as the medium of exchange, and especially if it is issued in bills of small denominations, the amount of specie which will be exported will be great in proportion to the paper in circulation. If this position be correct, the power of Congress will be insufficient to retain any considerable portion of gold or silver in the United States."

These opinions are so decisive as to the inutility of legislative regulations, with the view of placing and maintaining gold and silver coin in general circulation, that the committee will try their accuracy by the convictive if not infallible test of our own experience.

It may be affirmed that our currency, at the adoption of the Constitution, was almost entirely composed of gold and silver money; the bank of North America was in operation, but its notes had not likely much circulation. In 1791, the first Bank of the United States was instituted; but it is presumed that its issues were neither very great, nor perhaps intended to be of that denomination which passes easily into wide circulation, as General Hamilton, who projected that institution, was of opinion, that "bank circulation is desirable rather as *an auxiliary* to, than as a *substitute* for, that of the precious metals." It is believed, that, so lately as the year 1800, coin constituted the bulk of the circulation, and was the chief instrument used for effecting exchanges of small amount. Bank notes were rarely seen south of the Potomac, or west of the mountains; and having had probably a restricted circulation in the interior of any State, it is not unlikely but that the people of the United States, until that period, (banks being too few and distant to be used as general depositories,) did enjoy the advantage of "using either species of coins, according to convenience or pleasure."

Subsequently banks increased in rapid succession; public confidence and convenience facilitated the issue of their notes, and bank bills very soon ejected gold and silver coins from every channel of circulation which the denomination of the notes were adapted to fill. Notwithstanding this extensive substitution of paper in place of coin, gold and silver circulated partially until the war. It is not known correctly when the emission of notes under five dollars commenced; but presuming that few of that denomination were issued before the war, it is evident that a considerable amount of gold and silver was necessary to the public convenience, and being necessary, it was no doubt possessed. The notes of local banks generally do not circulate freely beyond the limits of their State; and the first Bank of the United States having issued no bills of a lower denomination than ten dollars, travelling expenses, and other objects of distant disbursement, created a considerable demand for gold or silver, whilst the vast variety of minor expenditures under five dollars must have retained in circulation a large amount of Spanish or American dollars.

It is a reasonable and moderate estimate to suppose that a population of seven and a half millions, in 1811, required, for the purposes recited, not less than seven or eight millions of gold and silver coin, independent of the integral parts of a dollar, wanted as change. Silver dollars were of necessity in circulation, as there was no substitute, and gold was probably more abundant than was indispensable to public convenience; being the overrat-

ed metal, it was no doubt paid out by the banks in order to check the exportation of silver, or to realize a profit on its sale. The dissolution of the Bank of the United States occasioned a great increase of local institutions; war soon succeeded, specie payments were suspended, and the whole country was inundated with notes from one-sixteenth part of a dollar upwards, to the entire exclusion of the precious metals.

After the banks resumed specie payments, silver continued to be occasionally in demand for exportation, at a premium. Gold being, consequently, the cheapest metal, composed a considerable portion of the specie fund; and it was tendered and paid out by the banks in preference to silver, until the year 1821, when the English demand commenced. Since that time gold has disappeared entirely from circulation, and also from the vaults of the banks. The resumption of cash payments did not restore our circulation to the footing of 1811. Five dollar notes have been constantly issued by the present bank of the United States, and notes of one, two, and three dollars circulate in a great majority of the States, to the exclusion of silver, except as change.

This brief statement exhibits the progressive alterations in our currency, from coin to bank notes, issuing, finally, in a paper circulation, (redeemable on demand with specie,) and no coin above the fractional parts of a dollar—a result which illustrates and verifies the assertion of Mr. Crawford, that “if paper will be received and employed generally as the medium of exchange, and especially if it is used in bills of small denomination,” it will be impracticable “to retain any considerable portion of gold or silver in the United States.” The current of business which inevitably produces this effect is well understood or easily explained. The advantages enjoyed by a bank over an individual money lender arises from such general confidence in its solidity as induces the deposit, for safe keeping, of the surplus funds of the community, and the reception of its notes as money. These are the sources of profit beyond the use of its capital, and of these the chief is usually its issues. Banks not only hold the surplus funds of the society, and furnish the circulating medium, but every payment and receipt of magnitude is made through their agency. The entire currency of the United States is thus constantly flowing into the banks, and out again into general circulation.

If the profit of these institutions depends materially upon the emission of their paper, is it likely, is it reasonable, to expect, that they will ever voluntarily make payments in coin? If money is not much wanted, the issue of notes strengthens their vaults, and places them in an attitude to meet with facility the first improvement in business. If money is in fair demand, will not the desire to realize large profits keep their specie as low as prudence will authorize, and cause them to regard with solicitude its emission? Is it not obvious that their interest presents, constantly, a strong inducement to avoid the disbursement of specie? Have we not all experienced, or heard of the reluctance with which banks part with coin? And is it not well known, that when money is in demand, instead of meeting a call for specie with cheerfulness and accommodation, the general desire and practice is to tender that description of coin which the applicant does not want. If gold is demanded, will not silver be tendered, and the reverse?

This course of business is in accordance with the nature of the vocation; and it is not mentioned with the slightest disposition to imply censure or

disapprobation, but to show, in the practical operation of our money system, the inefficacy of any measure to increase the circulation of gold or of silver, whilst bank notes retain the public confidence, and are issued of small denominations.

The legal authority to regulate the currency of the United States was one of the powers granted to Congress by the Constitution; but its practical efficiency is exercised exclusively by the banks. The money used by the people of the United States for every object of internal trade, is bank bills. The specie basis, which sustains the circulation, is regulated in its amount according to the pleasure or discretion of the issuers of the paper. The notes are redeemable on demand, in coin; but that liability, however beneficial as a security, has no effect upon the composition of the circulating medium. Any sum demanded will be promptly obtained, for concealment, or manufacture, or for exportation; but whatever may be the amount of specie withdrawn from the bank for other purposes, the circulation of coin is but momentarily increased, as the strong current of payments speedily carries it back to the banks, whose interest it is to re-issue a less costly substitute.

The committee have thus minutely examined the course of banking operations, in order to show, as they conceive, that if "bank notes are pressed into every channel of circulation," so "diffused through our extensive country, and so much is silver banished from circulation, that the option to demand silver is not within the reach of the great body of the people;" yet it does not appear how this difficulty would be removed by the coinage of gold. Congress can establish such a relative value for gold, as would soon convert all the silver in the vaults of the banks into that metal; but it is apprehended that "the power of Congress will be insufficient" to force gold into circulation, while five and ten dollar notes are issued and sustained in circulation by public confidence.

Cordially concurring in the justice and propriety of the remark, that "a bad state of the coins is a great evil, but when such a state of the coins is continued for the purpose of promoting the use of paper money, the end is pernicious, and the means are an abuse of power," the committee nevertheless cannot perceive wherein the legislative authority can be exercised, under existing circumstances, so as to improve or alter the domestic circulation.

Leaving out of view the past year, during which the balance of payments with other nations has been unusually in our favor, it is questionable if the total amount of specie, generally, in the United States has much exceeded the amount possessed nearly thirty years ago, although population has more than doubled, and wealth has increased in a much greater ratio. The amount of silver in circulation, of which a half dollar is the highest denomination, is estimated at 5 to 8 millions, the former is likely the most accurate conjecture, as a large majority of the States, including those which have made the greatest progress in commerce and manufactures, use notes of one, two, and three dollars. According to a statement entitled to respect, the circulation of the State banks on the 1st January, 1830, deducting the notes of other banks on hand, was about 36 millions of dollars; of which the notes under five dollars amounted to something less than 5 millions, the specie about 13 millions, the nett issues of the Bank of the United States were about 13 millions, its specie seven millions—total circulation nearly fifty millions of dollars of notes, and five millions of silver, with a reserved fund of twenty millions of dollars, held by the banks.

As these issues are sustained in circulation by public opinion, the community must be satisfied with their safety and convenience, or the power which sustains would promptly be withdrawn. We have commerce and wealth enough to bring and buy the precious metals, as well as many other luxuries that we purchase; and we may therefore be considered as exemplifying in part the general opinion of Mr. Lowndes, in regard to paper currency and the precious metals, who states in his report on coins, that "wherever trade has existed without the paper, specie has been abundant, and scarce always where the paper has existed, either with or without the trade: we must conclude, that when precious metals become scarce, while the price of foreign and domestic productions continues high, their scarcity results, not from the country being unable to procure or retain them, but from *its choosing* to employ a substitute for their use."

It has, however, been suggested by a highly respectable authority, frequently adverted to, that "Congress may, if it deems proper, lay a stamp duty on small notes, which will put an end to their circulation;" and it has also been proposed, "in order to bring gold more generally into circulation; that all notes under the denomination of ten dollars might be suppressed." "The reduction in the amount of the paper currency, arising from a suppression of the small notes, may be estimated at six or seven, and that produced by the suppression of the five dollar notes at about eight millions. Both together would probably lessen the paper currency by one-fourth, and substitute silver and gold coins in lieu thereof."

The partial introduction of gold and silver coins into general circulation would, no doubt, render our current medium a more certain and stable measure of exchange, and contribute to the gratification of those who prefer coins to paper. The committee are not insensible of the advantages thus proposed; and if circumstances authorized any effectual change, they would readily concur in such measures of melioration as expediency might suggest. They are of opinion, that the wages of labor, and the produce which small farmers pass immediately to the consumers, might, with advantage and propriety, be paid in coin, on the ground that this industrious and deserving class, who derive no benefit from the credit system, should not encounter any risk in the medium of payment.

An alteration of this nature would open an extensive home market to our miners, as gold might then be coined at such a regulation of value as would secure its permanency in circulation; and if it were limited to effect the small payments noted, it would not expose our silver to hazard, nor would such a measure as is apprehended raise prices injuriously, it having been ascertained by long experience in England that "this rise is influenced by a defect in that sort of coin only, which is the principal measure of property, and in which our balances to foreign countries are regulated and paid;" for, as Mr. Ricardo remarks, "the silver currency was, during a great part of this period, (a long period previous to 1797,) very much debased; but it existed in a degree of *scarcity*, and, therefore, on the principle which I have before explained, it never sunk in its current value."

But there will be time enough to ascertain distinctly the public opinion in regard to alterations of important character, before it will be in the power of Congress to interfere with efficiency.

Independent of other existing difficulties, the committee entertain the de-

cided conviction, that the public faith solemnly guaranties to the proprietors of the Bank of the United States the privilege to issue notes of five dollars.

The numerous reports and official statements which have been made to Congress upon coins and currency, abundantly testify that some dissatisfaction has long subsisted in regard to our circulating medium.

The committee, therefore, were of opinion, that, however tedious a minute disquisition upon a subject of such intricacy might appear, it was their duty to effect a complete investigation.

Notwithstanding the notoriety of great discordancy of views prepared the committee to encounter the difficulty of making an election amongst authorities of equal eminence and capacity, yet it has been the cause of much regret, that their conclusions have oftentimes differed from the sentiments of those, for whose judgment they entertain high respect.

The committee have carefully collated the diverse opinions of many writers of great distinction and celebrity, upon this complicate and controvertible subject; and having engaged in its examination with unprejudiced minds, and an earnest desire to arrive at just views of general principles, and of their beneficial adaptation to the peculiar circumstances of the United States, they will now conclude their report with a recapitulation of their deliberations and investigations.

1st. That the operations of commerce will assuredly dispense to every country its equitable and useful proportion of the gold and silver in currency, if it is not repulsed by paper, or subjected to legal restrictions.

2d. That it cannot be of essential importance to any State, whether its proportion of the money of commerce thus distributed consists of gold, or of silver, or of both metals, it being the instrument of exchange, but not the commodity really wanted.

3d. That there are inherent and incurable defects in the system, which regulates the standard of value in both gold and silver, its instability as a measure of contracts, and mutability as the practical currency of a particular nation, are serious imperfections; whilst the impossibility of maintaining both metals in concurrent, simultaneous, or promiscuous circulation, appear to be clearly ascertained.

4th. That the standard being fixed in one metal, is the nearest approach to invariableness, and precludes the necessity of farther legislative interference.

5th. That gold and silver will not circulate promiscuously and concurrently for similar purposes of disbursement, nor can coins of either metal be sustained in circulation with bank notes, possessing public confidence, of the like denominations.

6th. That if the national interest or convenience should require the permanent use of gold eagles and their parts, and also of silver dollars, the issue of bank bills of one, two, three, five, and ten dollars, must be prohibited.

7th. That if it should hereafter be deemed advisable to maintain both gold and silver coins in steady circulation, and to preserve silver as the measure of commerce and of contracts, gold must be restricted to small payments.

8th. That if it is the intention to preserve silver as the principal measure of exchange, permanently and securely, it will be necessary to estimate the relative value of gold under its present average, or probable future value in general commerce.

Influenced by these considerations, the committee recommend that the standard value of gold be regulated according to the ratio of one of gold for $15\frac{6\frac{2}{3}}{1000}$ of silver; and that the portion of alloy hereafter used in coinage be established at one-tenth, and therefore submit the following amendments to the bill from the Senate.

			Grains fine gold.	Grains standard gold.
The gold eagle to contain	-	-	237 6	= 264
half eagle	-	-	118.8	= 132
quarter eagle	-	-	59.4	= 66

A TABLE showing different relative values of Gold and Silver, and the quantity of Fine Gold, and also of Standard Gold, in an Eagle, according to the respective valuations, estimating Standard Gold to be nine-tenths fine and one-tenth alloy.

Estimates of the relative value of equal quan- tities of Gold and Silver.	Grains of Pure Gold in each.	Grains of Standard Gold in each.	Estimates of the relative value of equal quan- tities of Gold and Silver.	Grains of Pure Gold in each.	Grains of Standard Gold in each.
GOLD TO SILVER.	EAGLE.	EAGLE.	GOLD TO SILVER.	EAGLE.	EAGLE.
1 to 15.	247.50	275.	1 to 15.525	239.13043	265.70047
1 to 15.025	247.08818	274.54242	1 to 15.550	238.74598	265.27331
1 to 15.050	246.67774	274.08637	1 to 15.575	238.36276	264.84751
1 to 15.075	246.26286	273.62540	1 to 15.600	237.980769	264.423076
1 to 15.100	245.86092	273.17870	1 to 15.625	237.6	264.
1 to 15.125	245.45454	272.72726	1 to 15.650	237.220447	263.578274
1 to 15.150	245.0495	272.2772	1 to 15.675	236.8121	263.1578
1 to 15.175	244.64579	271.82865	1 to 15.700	236.464968	262.738853
1 to 15.200	244.24342	271.38157	1 to 15.725	236.08903	262.32114
1 to 15.225	243.84236	270.93595	1 to 15.750	235.65079	261.83421
1 to 15.250	243.44262	270.49180	1 to 15.775	235.340729	261.489698
1 to 15.275	243.04418	270.04905	1 to 15.800	234.96835	261.07594
1 to 15.300	242.647058	269.607842	1 to 15.825	234.59715	260.66350
1 to 15.325	242.25122	269.16802	1 to 15.850	234.22712	260.25235
1 to 15.350	241.85667	268.72963	1 to 15.875	233.85826	259.84251
1 to 15.375	241.46341	268.29267	1 to 15.900	233.49056	259.43395
1 to 15.400	241.071428	267.857142	1 to 15.925	233.124018	259.026686
1 to 15.425	240.68071	267.42301	1 to 15.950	232.75862	258.62068
1 to 15.450	240.29126	266.99028	1 to 15.975	232.394366	258.215962
1 to 15.475	239.90306	266.55895	1 to 16.	232.03125	257.81250
1 to 15.500	239.51629	266.12921			

